



State of Idaho

Legislative Services Office

Management Report on Internal Control

A communication to the Joint Finance-Appropriations Committee

IDAHO STATE HISTORICAL SOCIETY

FY 2003, 2004, and 2005

Report IC52205

Serving Idaho's Citizen Legislature

LEGISLATIVE SERVICES' MISSION STATEMENT

The mission of the Legislative Services Office is to provide efficient, nonpartisan support services to Idaho's citizen legislators, to carry out legislative policies so as to strengthen the legislature's management as a separate branch of government, and to assist the legislature in carrying out its constitutional responsibilities to the highest standards of integrity and professional excellence. (Approved by the Legislative Council, January 20, 1994.)

LEGISLATIVE AUDITS' CHARGE

Legislative Audits, a division of Legislative Services, is charged by the Legislative Council to provide a financial audit of the statewide annual financial report prepared by the State Controller, as required by Idaho Code, Section 67-429. In addition to special reports and requested studies, Legislative Audits produces three types of audit reports and two types of management reports (described below) for the Joint Finance-Appropriations Committee and other interested parties. These audits, reports, and studies, which vary in scope, provide information for oversight of State finances for the legislature, government entities, and the public, as well as satisfying federal audit requirements.

<u>DESCRIPTION</u>	<u>LEVEL OF SCRUTINY</u>
<i>COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)</i>	Our opinion as to the fairness of presentation of the annual statewide financial statements; a reference to our report on our consideration of the State's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts, and grants issued under separate cover in the State's <i>Single Audit</i> .
<i>STATEWIDE SINGLE AUDIT REPORT</i>	Our opinion on the schedule of expenditures of federal awards in relation to the State's basic financial statements taken as a whole; a report on compliance and internal control over financial reporting based on an audit of financial statements performed in accordance with Government Auditing Standards; a report on compliance with requirements applicable to each major program, and on internal control over compliance in accordance with <i>OMB Circular A-133 (Audits of States, Local Governments, and Non-Profit Organizations)</i> ; recommendations to improve the State's financial/accounting system; and recommendations and questioned costs related to federal awards. In addition, the report includes the State's basic financial statements and the related opinion thereon.
<i>INDIVIDUAL ENTITY AUDIT REPORT</i>	Our opinion on the fairness of presentation of the entity's financial statements; a report on compliance, and on internal control over financial reporting, based on an audit of financial statements performed in accordance with Government Auditing Standards; if applicable, a report on compliance with requirements of each major program, and on internal control over compliance in accordance with <i>OMB Circular A-133</i> .
<i>MANAGEMENT REPORT ON FINANCIAL PROCEDURES</i>	A report based on specific procedures applied to the financial segments material to the statewide financial statement and an internal control review of those financial segments not deemed material to the statewide financial statements, or an audit of a major federal grant. Findings and recommendations are included, if applicable, to improve policies, procedures, compliance, controls, and the entity's overall efficiency.
<i>MANAGEMENT REPORT ON INTERNAL CONTROL</i>	A cyclical report highlighting the entity's internal control with findings and recommendations, if applicable, to improve the system to prevent errors, omissions, misrepresentations, oversights, and fraud, thus protecting State resources.

FOREWORD

PURPOSE OF REPORT

Internal controls were evaluated at the Idaho State Historical Society. This work, combined with audit work performed at other agencies, including the State Controller's Office, allows us to give our opinion on the statewide basic financial statements prepared by the State Controller's Office. This report summarizes the procedures and their results.

SCOPE OF WORK

The management of the Historical Society is responsible for establishing and maintaining internal controls. We obtained an understanding of the relevant policies and procedures comprising the internal control system. We also determined whether the relevant policies and procedures had actually been placed into operation. Our evaluation of internal controls was performed in accordance with government auditing standards issued by the Comptroller General of the United States. It was not our intent to provide an opinion on the internal controls, and we do not give such an opinion. Our intent was to indicate where internal controls could be improved, to help ensure the Historical Society's ability to record, process, summarize, and report financial data accurately.

AUDIT AUTHORIZATION

Reported to the Joint Finance-Appropriations Committee as directed by the Legislative Council of the Idaho Legislature, authorized by Idaho Code, Section 67-429.

ASSIGNED STAFF

Randy Rhuman, Auditor-in-Charge
Brian Butkus, Staff Auditor

ADMINISTRATION AND TECHNICAL REVIEW

Ray Ineck, Manager, Legislative Audits Division
Thomas Haddock, CPA, CGFM, Managing Auditor

GRAPHIC LOGISTICS

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EXECUTIVE SUMMARY LEGISLATIVE AUDITS

IDAHO STATE HISTORICAL SOCIETY

PURPOSE AND SCOPE. In planning and making our audit of the statewide basic financial statements, we performed certain audit procedures to evaluate the effectiveness of the Idaho State Historical Society's internal control design and operation. Consequently, the limited scope of our procedures does not allow us to give an opinion on the Historical Society's internal control system. Accordingly, we do not express an opinion or ensure that all instances of internal control weaknesses were disclosed.

Our purpose was to indicate where internal controls could be strengthened to help ensure accurate financial statements and data. This evaluation, together with other evaluations and various audit procedures applied at other agencies, allows us to express an opinion on the statewide basic financial statements prepared by the State Controller's Office.

CONCLUSION. Two of the three findings and recommendations in this report are repeated from the prior audit for fiscal years 2001 and 2002. The findings are the result of applying the audit procedures referred to above and, if addressed, would improve and strengthen the Historical Society's internal control structure and operating efficiency. These matters are discussed in the findings and recommendations section of this report.

FINDINGS AND RECOMMENDATIONS. We have summarized the three findings and recommendations below. The recommendations are made to assist management in fulfilling its responsibility to establish and maintain adequate internal controls.

FINDING #1. The Historical Society may not have complied with State travel and State purchasing card (P-Card) rules and regulations. The State has policies regarding travel and the use of P-Cards. These policies help ensure that accounting is proper, and that travel and P-Card purchases are for State business. We reviewed 10 travel vouchers and monthly P-Card transaction summaries of the director for fiscal years 2002 to 2005 and found the following:

- The director used his P-Card to pay for meals, and then claimed the same meals as part of the per-diem on travel vouchers.
- While the director reported that he was on vacation, he claimed and was reimbursed for car rental and meal costs.
- Four days' worth of meals and car rental for the director, while in or near Philadelphia, at the State's expense, were not documented as State business.
- Meals provided at conferences the director attended were also claimed by and reimbursed to the director on travel vouchers. No explanation was provided indicating the meals were not used.

We recommend that the Historical Society study the State travel and P-Card rules, complete a detailed review of all other travel vouchers and P-Card purchases of the director, and request reimbursement for all overpayments. Also, to enhance internal controls and ensure compliance with State travel policies, **we recommend** that the Office of the State Board of Education review all P-Card purchases and travel vouchers of the director.

FINDING #2. Accounting procedures do not ensure efficient and accurate reporting. The Historical Society needs to improve procedures to ensure that accounting is efficient and accurate. The primary problem is that the accounting system does not fully utilize the State's accounting system. Instead, the Historical Society makes many manual calculations and uses numerous spreadsheets. As a result, documentation was inadequate to show that the Historical Society incurred and billed costs in accordance with federal rules.

We recommend that the Historical Society improve its accounting by obtaining needed training, utilizing the State's accounting system more effectively, and providing more oversight and reviews.

FINDING #3. Internal control over receipts is not adequate. The Historical Society uses cash registers to record admission fees at the Museum and Old Penitentiary. The Historical Society reported that these admission fees totaled about \$90,000 for each of the past three years. Controls for these receipts are inadequate because there is no assurance that receipts are recorded in the cash register. Also, duties are not segregated, and supervisors do not review and approve voided transactions. Although with a small staff it is not always practical or cost beneficial to achieve all of the segregation of duties and cross-checks generally included within a system of internal controls, the Historical Society can implement some controls that will not be costly.

We recommend that the Historical Society:

- Post large, easily seen signs near the cash registers at the Museum and Old Penitentiary requiring patrons to obtain cash register receipts to show proof of payment, and instruct employees to issue cash register receipts to patrons.
- Require, when possible, the daily cash register closeout to be completed by a supervisor and the cashier; both these employees should sign the cash register tape to verify the amount collected and recorded.
- Explain voided receipts, and monitor and investigate excessive voided transactions.
- Monitor cash collections (compared with checks) and look for unusual trends or spikes in cash collections.

PRIOR FINDINGS AND RECOMMENDATIONS. The two prior findings and recommendations are closed and repeated in this report as Finding #2 and Finding #3.

AGENCY RESPONSE. The Historical Society management has reviewed the report and is in general agreement with its contents.

FINANCIAL SUMMARY. The Historical Society fulfills its legal and administrative duties primarily with State General Fund appropriations and federal grants. Other sources of funds include donations, entrance fees, and property leases. A cash basis summary of the Historical Society's financial activity is presented below. Although an opinion is not given on the financial data presented in this report, one is given on all State funds in the statewide *Comprehensive Annual Financial Report* that includes the financial data presented here.

IDAHO STATE HISTORICAL SOCIETY FINANCIAL SUMMARY

Fiscal Year 2003

	General Fund 0001	Federal Fund 0348	Miscellaneous Receipts Fund 0349	Total
Beginning Appropriation/Cash	\$1,907,100.00	\$116,125.20	\$494,504.57	\$2,517,729.77
Supplemental Appropriation	(66,555.80)	0.00	0.00	(66,555.80)
Encumbrances	17,400.00	0.00	0.00	17,400.00
Receipts	0.00	693,848.69	499,749.25	1,193,597.94
Transfers In/Out	0.00	0.00	30,643.00	30,643.00
Total Funds Available	\$1,857,944.20	\$809,973.89	\$1,024,896.82	\$3,692,814.91
Less Disbursements:				
Personnel Costs	1,379,977.55	474,941.44	154,800.66	2,009,719.65
Operating Expenditures	474,195.64	95,734.27	138,381.92	708,311.83
Capital Outlay	144.20	7,631.50	4,039.59	11,815.29
Trustee And Benefit Payments	1,600.00	93,872.80	30,000.00	125,472.80
Total Disbursements	\$1,855,917.39	\$672,180.01	\$327,222.17	\$2,855,319.57
Ending Appropriation/Cash	\$2,026.81	\$137,793.88	\$697,674.65	\$837,495.34

Fiscal Year 2004

	General Fund 0001	Federal Fund 0348	Miscellaneous Receipts Fund 0349	Total
Beginning Appropriation/Cash	\$1,923,700.00	\$137,793.88	\$697,674.65	\$2,759,168.53
Receipts	0.00	781,027.08	287,870.19	1,068,897.27
Transfers In/Out	0.00	0.00	34,095.00	34,095.00
Total Funds Available	\$1,923,700.00	\$918,820.96	\$1,019,639.84	\$3,862,160.80
Less Disbursements:				
Personnel Costs	1,401,971.68	522,678.73	125,082.82	2,049,733.23
Operating Expenditures	469,128.32	76,151.92	160,182.50	705,462.74
Capital Outlay	1,000.00	10,595.28	5,756.84	17,352.12
Trustee And Benefit Payments	51,600.00	106,114.00	0.00	157,714.00
Total Disbursements	\$1,923,700.00	\$715,539.93	\$291,022.16	\$2,930,262.09
Ending Appropriation/Cash	\$0.00	\$203,281.03	\$728,617.68	\$931,898.71

Fiscal Year 2005

	General Fund 0001	Federal Fund 0348	Miscellaneous Receipts Fund 0349	Total
Beginning Appropriation/Cash	\$1,961,600.00	\$203,281.03	\$728,617.68	\$2,893,498.71
Supplemental Appropriation	12,200.00	0.00	0.00	12,200.00
Receipts	0.00	834,079.08	299,360.77	1,133,439.85
Transfers In/Out	0.00	0.00	33,840.00	33,840.00
Total Funds Available	\$1,973,800.00	\$1,037,360.11	\$1,061,818.45	\$4,072,978.56
Less Disbursements:				
Personnel Costs	1,429,269.98	519,316.75	186,333.93	2,134,920.66
Operating Expenditures	432,786.29	108,303.86	165,627.80	706,717.95
Capital Outlay	56,075.25	28,460.45	36,736.29	121,271.99
Trustee And Benefit Payments	55,600.00	106,248.37	0.00	161,848.37
Total Disbursements	\$1,973,731.52	\$762,329.43	\$388,698.02	\$3,124,758.97
Ending Appropriation/Cash	\$68.48	\$275,030.68	\$673,120.43	\$948,219.59

(Note: The ending General Fund appropriation reverted to the General Fund at the end of each fiscal year.)

OTHER ISSUES. In addition to the findings and recommendations, we discussed other, less important issues which, if changed, would improve internal control, ensure compliance, or improve efficiency.

This report is intended solely for the information and use of the Idaho State Historical and the Idaho Legislature and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate the cooperation and assistance given to us by the director, Steve Guerber, and his staff.

QUESTIONS CONCERNING THIS DOCUMENT SHOULD BE DIRECTED TO:

Ray Ineck, Manager, Legislative Audits Division


Thomas Haddock, CPA, CGFM, Managing Auditor

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AGENCY RESPONSE

August 9, 2006

TO: Ray Ineck, Manager
Legislative Audits Division
Legislative Services Office

FROM: Steve Guerber, Executive Director 
Idaho State Historical Society

SUBJECT: ISHS Management Report on Internal Control

CC: Thomas Haddock, Managing Auditor
Randy Rhuman, Auditor-in-Charge

The Idaho State Historical Society has received and reviewed the draft of the Management Report on Internal Control for FY 2003, 2004, and 2005, and has no significant disagreement with the three findings. In fact, the Society had begun steps with which to address several of the findings prior to receipt of the draft report.

Finding #1. The Historical Society may not have complied with State travel and State purchasing card (P-Card) rules and regulations. New controls have been implemented within the Fiscal Office to better review and process travel reimbursements and/or P-Card purchases. Proper documentation is now required for all such expenditures and travel reimbursement requests and P-Card reconciliations are being cross-referenced to ensure that all charges and expenditures are accounted for appropriately. Reimbursements for all identified over/underpayments were made by the Executive Director upon notification of the errors.

Finding #2. Accounting procedures to not ensure efficient and accurate reporting. In conjunction with the retirement of the previous Fiscal Office administrator, an effort began to improve the processes and procedures throughout the office both prior to the arrival of the Legislative auditors and since. The staff has held several meeting with the State Controller's Office to improve its knowledge and use of the STAR's system. It has eliminated the use of separate spread sheets and other duplicate systems. The Society has contracted with an outside consultant (recommended by the State Controller's Office) to create a comprehensive process for recording, tracking and monitoring grants, as well as other systems for agency-wide accountability.

Finding #3. Internal Control over receipts is not adequate. Every effort is being made to comply with the recommendations made in the report (acknowledging that limitations due to staffing levels does not always make it practical or cost beneficial to achieve all suggested segregation of duties). Large, easily seen signs are being posted close to the cash registers at both the Old Penitentiary and the Museum requiring patrons to obtain a cash register receipt. In conjunction with the State Controller's Office, training is being scheduled for all "cash handlers" at both the Old Penitentiary and the Museum to address the other recommended improvements.

The Idaho State Historical Society appreciates the helpful input and amiable relationship that Auditor-in-Charge Randy Rhuman maintained with the agency staff during this audit. His suggestions early in the auditing procedure allowed the Fiscal Office to begin dealing with improved procedures in a more timely and appropriate manner.

FINDINGS AND RECOMMENDATIONS

FINDING #1

The Historical Society may not have complied with State travel and purchasing card (P-Card) rules and regulations.

The State has policies regarding travel and the use of P-Cards. These policies help ensure that accounting is proper and that travel and P-Card purchases are for State business. We reviewed 10 of approximately 55 travel vouchers of the director for fiscal years 2002, 2003, 2004 and 2005. We also reviewed some monthly summaries of P-Card transactions. The following was found during our review.

- In several instances, meals were charged on the P-Card, and then the same meals were reimbursed to the director, as part of the per diem, on travel vouchers.
- The costs for renting a car and purchasing meals by the director while in Philadelphia in December 2002 were claimed on a travel voucher, although his time sheet reported he was on vacation. State travel regulations specifically state travel expenses will not be paid by the State for expenses incurred by an employee while on leave.
- The director's P-Card was used to purchase Boise State University football tickets at a cost of \$128, as payment to a speaker that the Historical Society engaged. Payment for such services is a taxable event. The Historical Society did not record the ticket purchase as 1099 reportable income as required by IRS regulations.
- The business purpose of a trip to Providence, Rhode Island, in September 2003 was documented. However, the purpose for an additional four days' worth of meals and car rental while in or near Philadelphia, at the State's expense, was not documented. Also, there was no documentation to show that the cost of flying to Philadelphia and then driving to Providence, instead of flying directly to Providence, was the most economical mode of travel as required by State regulations.
- Meals that were provided at conferences were also paid to the director as part of the per diem reimbursement on

travel vouchers. There was no documentation to show that the State was reimbursed for these meals, or that he did not attend conference meals.

- P-Card charges for hotels included movie rentals. Payment for movie rentals is not in compliance with State P-Card regulations. The director reimbursed the State for some movie rentals, but not all.
- There was no documentation to show that P-Card purchases for staff meeting refreshments were in accordance with State travel regulations.
- P-Card payment for partial-day meals was not reported as a taxable benefit in accordance with IRS regulations.
- Informal meetings with legislators and others at an employee's home station are not allowable expenses according to State travel regulations. The regulations also state that the State Controller's Office will interpret all meetings to be informal unless documented proof is submitted showing otherwise. The P-Card was used to pay for meals with no documentation submitted to show the meetings were not informal.

The director told us that the accounting staff, on whom he relies, failed to inform him that he overclaimed and that he may not have complied with rules and regulations. As a result, he was overpaid for travel and other costs. He also explained that he did not record his time correctly when he reported vacation, and that he was visiting historical sites as part of his job duties. As a result, he claims that the travel costs reported during this time period should be allowable.

The director agreed that he was overpaid (and in one instance, was underpaid by \$7) and will make reimbursement to the State. It is difficult for us to determine how much should be reimbursed. We estimate overpayments are approximately \$700, based on review of the 10 vouchers and monthly P-Card summaries. However, this amount does not include potential overpayments for travel that may not be related to State business. Also, there are another 45 travel vouchers and other P-Card transactions that we did not review in detail.

RECOMMENDATION #1

We recommend that the Historical Society study the State travel and P-Card rules, complete a detailed review of all other travel vouchers and P-Card purchases of the director, and request reimbursement for all overpayments, if any. Also, to enhance internal controls and provide oversight, we recommend that the Office of the State Board of Education

CORRECTIVE ACTION PLAN

review all P-Card purchases and travel vouchers of the director. Furthermore, we recommend that the Historical Society contact the State Controller's Office and determine the type of documentation that constitutes formal meetings for allowable meal expenses. Finally, the Historical Society needs to ensure proper coding and recording for taxable expenditures.

New controls have been implemented with the Fiscal Office to better review and process travel reimbursements and/or P-Card purchases. Proper documentation is now required for all such expenditures and travel reimbursement requests, and P-Card reconciliations are being cross-referenced to ensure that all charges and expenditures are accounted for appropriately. Reimbursements for all identified over/underpayments were made by the Executive Director upon notification of the errors.

FINDING #2

Accounting procedures do not ensure efficient and accurate reporting.

During our last audit, we recommended that the Historical Society improve its accounting by eliminating multiple spread sheets and using the State accounting system properly. However, the State accounting system is still not used properly, and additional training and better management reviews are needed to ensure accounting is proper. The following explains:

- Although the Historical Society has incurred federal program costs, it could not provide documentation that it had submitted all reimbursement claims in accordance with federal regulations. As result, the Historical Society may not be making timely billings or complying with the grant agreements.
- The Historical Society was not aware of some federal grants, and did not report them on its Schedule of Expenditures of Federal Awards that it submits annually to the State Controller's Office. A complete listing of federal grants will help ensure the Historical Society properly accounts for grant expenditures and grant revenues, and will help ensure compliance with grant requirements.
- The Historical Society was not aware of the need to complete a federal indirect cost proposal until we brought this to its attention. Without federal approval of this proposal, the federal government may not reimburse the Historical Society for its indirect costs.

- The Historical Society's accounting codes are not properly used or logically established. For example, program codes should be used to account for expenditures of the Historical Society's several programs, and should not be established to record specific types of expenditures, such as travel, maintenance, and professional services. Instead of reporting travel as a program, for example, travel should be reported as a cost within a program, such as travel to the administration program.
- The Historical Society recorded costs to a fund it does not have (Driver Training Fund). This error was not detected or corrected by the Historical Society.

Without proper accounting, management reports will be incorrect; revenue will not be billed, collected or deposited; and State and federal rules and regulations will not be complied with.

We believe the accounting is not adequate due to a lack of training and management oversight.

RECOMMENDATION #2

We recommend that the Historical Society improve its accounting by obtaining needed training, utilizing the State's accounting system more effectively, and providing more oversight and reviews.

CORRECTIVE ACTION PLAN

In conjunction with the retirement of the previous Fiscal Office administrator, an effort began to improve the processes and procedures throughout the office, both prior to the arrival of the Legislative auditors and since. The staff has held several meetings with the State Controller's Office to improve its knowledge and use of the STARS system. It has eliminated the use of separate spreadsheets and other duplicate systems. The Society has contracted with an outside consultant (recommended by the State Controller's Office) to create a comprehensive process for recording, tracking and monitoring grants, as well as other systems for agency-wide accountability.

FINDING #3

Internal control over receipts is not adequate.

The Historical Society reports admission receipts at the Idaho Historical Museum and the Old Penitentiary of about \$90,000 a year. This amount does not appear reasonable, considering the Historical Society reports that 170,000 patrons visit just the museum each year. Also, admission receipts did not increase as expected after the Historical Society increased the admission fee from \$4 to \$5 for each adult patron at the beginning of fiscal year 2004, nor after the addition of the J. Curtis Earl exhibit at the Old Penitentiary near the beginning of fiscal year 2003. It is not possible to determine the amount of fees that should be reported,

due to inadequate monitoring and accounting controls. The following explains:

- Employees, many of whom are volunteers, use a cash register to record collections and generate receipts at both the Idaho Historical Museum and the Old Penitentiary. Good internal controls require that all collections be entered into the cash register, and that supervisors review and approve transactions.
- Although during the last audit we discussed with the Historical Society placing large and aesthetically pleasing signs requiring patrons to obtain cash register receipts, the Historical Society did not do so. Instead, it placed very small notes that are inconspicuously taped on the counter tops.
- In the last audit, we also noted that employees can make adjustments to cash register tapes, and also have custody of the cash. Therefore, employees can void receipts and misappropriate funds.
- Although with a small primarily volunteer staff, it is not always practical or cost beneficial to achieve all separations of duties and cross-checks generally included within a system of internal controls, the Historical Society can implement some controls that will not be costly.

Implementing these controls will help determine whether money is lost or misappropriated, and will help protect employees from potential allegations of wrongdoing.

We could not determine why controls have not been implemented, nor why admission receipts did not reasonably agree with patron counts.

RECOMMENDATION #3

We recommend that the Historical Society:

- **Post large, easily seen signs near the cash registers at the Museum and Old Penitentiary requiring patrons to obtain a cash register receipt to show proof of payment, and instruct employees to issue cash register receipts to patrons.**
- **Require, when possible, the daily cash register closeout to be completed by a supervisor and the cashier, and that both these employees sign the cash register tape to verify the amount collected and recorded.**

CORRECTIVE ACTION PLAN

- **Explain voided receipts, and monitor and investigate voided excessive transactions.**
- **Monitor cash collections (compared with checks) and look for unusual trends or spikes in cash collections.**

Every effort is being made to comply with the recommendations made in the report (acknowledging that limitations due to staffing levels do not always make it practical or cost beneficial to achieve all suggested segregation of duties). Large, easily seen signs are being posted close to the cash registers at both the Old Penitentiary and the Museum requiring patrons to obtain a cash register receipt. In conjunction with the State Controller's Office, training is being scheduled for all "cash handlers" at both the Old Penitentiary and the Museum to address the other recommended improvements.

CONTACT PERSON

Steve Guerber, Director
Idaho State Historical Society
208-334-2682

PRIOR FINDINGS AND RECOMMENDATIONS

The prior report covered the fiscal years ended June 30, 2001 and 2002, and included two findings and recommendations. The following explains the status of those findings and recommendations.

PRIOR FINDING #1

Accounting procedures did not ensure efficient and accurate reporting. The Historical Society did not use the State accounting system in an effective and efficient manner. For example, to capture federal grant costs, the Historical Society made manual calculations and used a series of spreadsheets. In addition, it used program codes to report travel, salary, and subrecipient payments, when these costs were already coded to travel, salary, and subrecipient payments, as required by the State accounting system coding structure.

The cumbersome accounting structure increased the risk of errors, and made it difficult to track amounts from federal billings to source documentation. Also, because the system was difficult and cumbersome, program costs were not provided to managers in a timely manner. The Historical Society was not aware of all of the beneficial features in the State accounting system.

RECOMMENDATION #1

We recommended that the Historical Society improve its accounting by restructuring the coding scheme to more effectively use the State automated accounting system and eliminate the use of spreadsheets.

STATUS: CLOSED

This finding is closed and repeated in this report as Findings #1.

PRIOR FINDING #2

Internal control over receipts was not adequate. The Historical Society reported admission receipts at the Idaho Historical Museum and the Old Penitentiary that totaled more than \$80,000 in fiscal year 2002. There were few controls over these receipts. Although it was not always practical or cost-beneficial with a small staff to achieve all separations of duties and cross-checks generally included in a system of internal control, the Historical Society could have implemented controls to help determine whether money was lost or misappropriated, and to protect employees from potential allegations of wrongdoing.

It was difficult to determine why such controls were not used; however, in discussions with members of the Historical Society's staff, we believe they did not know that such controls could be implemented with current staffing levels.

RECOMMENDATION #2

STATUS: CLOSED

We recommended that the Historical Society improve internal controls by implementing the following steps:

- Posting signs informing patrons to obtain a cash register receipt to show proof of payment and instruct employees to issue cash register receipts to patrons.
- Segregating duties, requiring both a supervisor and cashier to close-out cash registers and sign cash register tapes.
- Explaining voided transactions and investigating any that seemed excessive.
- Monitoring cash collections (compared with checks), looking for unusual trends or spikes in cash collection amounts.
- Using an electronic counter at the Museum to compare visitor counts with fees collected.

This finding is closed and repeated in this report as Findings #2.

APPENDIX

HISTORY

The Historical Society of Idaho Pioneers was formed on February 10, 1881, stemming from concerns that the territorial history would be lost as the "old-timers" died off. The purpose of this group was to collect and preserve items that would tell the story of Idaho to future generations.

In 1907, the session laws created the Idaho State Historical Society to replace the Historical Society of Pioneers. Since that time, there have been many amendments to the original legislation. The Historical Society remained a separate agency and reported to the Governor's Office until the Executive Reorganization Act of 1972. This Act placed the Historical Society under the State Board of Education.

STATUTORY AUTHORITY

Statutory authority for the Historical Society is found in Idaho Code, Title 67, Chapter 41. Its powers and duties are set forth in Idaho Code, Sections 67-4114 through 67-4130.

PURPOSE

The Idaho State Historical Society has the general responsibilities of obtaining, identifying, preserving, and restoring historical resources for the edification of the public.

Historical resources include buildings, sites, narratives, specimens, writings, and items of historical interest with regard to Idaho and the Northwest. The Historical Society also encourages the creation of county historical societies and county museums.

The Historical Society acts as an oversight agency in combination with the National Parks Service. It is the responsibility of the State Historic Preservation Office to review and comment on all activities on State and federal lands that may have an impact on archaeological and historic cultural resources. The State Historic Preservation Office maintains the National Register of Historic Places for Idaho.

ACTIVITIES

The Historical Society services the public by providing a series of lectures, presentations, and field trips throughout the State. The staff is required to act as consultants to a variety of public and private organizations and agencies at the State, regional, and national level. The Historical Society also publishes about 20 publications for sale to the public, a quarterly magazine entitled *Idaho Yesterdays*, and a quarterly newsletter.

Some buildings currently owned or operated by the Historical Society include:

- The Idaho State Historical Museum in Boise is the largest museum in the State, with the highest visitation (approximately 170,000 visitors per year). The Museum is responsible for collecting, curating, and interpreting over 250,000 historical artifacts. Next to the Museum is Pioneer Village, consisting of one 1865 log cabin; Mayor Thomas E. Logan's adobe house, dated 1865; the Richard D. Adelman house; and the Lewis and Clark Pavilion.
- The State Historical Library and Archives in Boise is responsible for the maintenance of public records within the State, including the State's Constitution, Governors' papers, State attorneys' records, legislative records, Supreme Court records, State agency records, county and city records, and many corporate and private archives pertaining to Idaho.
- The U.S. Assay Office, located in Boise at 210 Main Street, is a National Historic Landmark, and houses the State Historic Preservation Office and the State Archaeologist's Office.
- The main administrative office for the Historical Society is located in the Idaho History Center at 2205 Old Penitentiary Road in Boise.
- The Old Penitentiary in Boise, located on approximately 550 acres of land, consists of a 20-building complex. This complex is used for a variety of educational functions.
- Pierce Courthouse, located in Pierce, Idaho, is the oldest public building in the State.
- The L. H. Hatch House and the Pioneer Relic Hall in Franklin, Idaho are operated locally with Historical Society assistance.
- A 20,000-square-foot Artifact Storage Center in Boise houses thousands of valuable objects important to Idaho's history.
- Stricker Site, near Kimberly, is an important early stop on the Oregon Trail through Idaho.

FUNDING

The Idaho State Historical Society receives funding from the State General Fund, federal grants, donations, and sales of publications and other items.

ORGANIZATION

The Idaho State Historical Society is governed by a Board of Trustees. The Board consists of seven members, appointed for six-year terms by the State Board of Education. The Board of Trustees is empowered to appoint a director to serve as the administrative officer of the Society.

Historical Society Agency Profile

Analyst: Hancock

Idaho State Historical Society Organizational Chart

